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INTRODUCTION

The Office of Internal Audit performed an audit of Presque Isle County FIA for the period October 1, 2000 through February 15, 2001. The objectives of our audit were to determine if internal controls in place at the local office provide reasonable assurance that departmental assets are safeguarded, transactions are properly recorded on a timely basis, and policies and procedures of the Michigan Family Independence Agency (FIA) are being followed. Presque Isle County FIA had 15 full time equated positions (FTE's) at the time of our review. Presque Isle County FIA provided assistance to an average 708 recipients per month during FY 1999, with total assistance payments of \$710,888 during that year.

SCOPE

Our audit was performed in accordance with Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors. We obtained descriptions of significant systems operating at the Presque Isle County FIA, documented those systems, and evaluated controls in each system. We tested the systems for compliance, where feasible. Our audit included the following:

Cash Receipts	Cash Disbursements
General Ledger	Modified Accrual Basis Balance Sheet
Safe and Controlled Documents	Food Stamp Inventory and Issuance
Medical Transportation	State Emergency Relief (SER)
Employment Support Services	Client Processing
CIS/ASSIST	IRS Information Security
Payroll and Timekeeping	Procurement Card
Contracting	

EXECUTIVE SUMMARY

Based on our audit, we conclude that the Presque Isle County FIA internal controls are generally adequate to provide management with reasonable assurance that assets are safeguarded and transactions are executed in accordance with management's authorization. Reconciliation of the ASSIST Security Officer's Log Report (VB9173) with the ASSIST Enrollment Profile (FIA3720) will improve system security.

Recommendations #2 and 5 were implemented prior to completion of our onsite work.

LOCAL OFFICE RESPONSE

The management of Presque Isle County FIA has reviewed all findings and recommendations included in this report. They indicated in a memorandum dated February 27, 2001 that they are in agreement with the findings and recommendations in the report and that several recommendations had already been implemented. They also indicated that they had not been reconciling the ASSIST Security Officer's Log Report, in Recommendation # 6; because they had been following information they found on the FIA Intranet site under Local Officer ASSIST reports, because no other written procedures had been received.

FINDINGS AND RECOMMENDATIONS

Cash Receipts

Warrants Returned/Received at the Local Office

1. Presque Isle County FIA did not have staff, independent of the Fiscal unit, review the disposition of warrants returned/received at the Local Office. Internal control over the disposition of returned/received warrants is improved by having staff independent of the fiscal unit review the disposition to determine if the warrants processed as instructed by the Family Independence Specialists.

WE RECOMMEND Presque Isle County FIA have staff independent of the Fiscal unit review the disposition of warrants returned/received at the Local Office.

Cash Disbursements

No findings in this area.

General Ledger

No findings in this area.

Modified Accrual Basis Balance Sheet

No findings in this area.

Safe and Controlled Documents

Physical Inventories of Purchase Orders (FIA2083) and Gift Certificates

2. Presque Isle County FIA did not establish adequate inventory control of Purchase Orders (FIA2083) and Gift Certificates. The Local Office did not perform a monthly physical inventory by staff independent of the fiscal office and record the inventory on the Monthly Controlled Document Inventory and Reconciliation (FIA4351).

Accounting Manual 403, page 1 requires a monthly physical inventory and reconciliation that is recorded on the FIA4351.

WE RECOMMEND Presque Isle County FIA perform monthly physical inventories of the Purchase Orders (FIA2083) and gift certificates that is documented on the Monthly Controlled Document Inventory and Reconciliation (FIA4351).

Food Stamp Inventory and Issuance

Returned Food Stamps

3. Presque Isle County FIA did not have staff independent of the fiscal unit review the disposition of food stamps returned to the Local Office as undeliverable. Internal control over the disposition of undeliverable food stamps can be improved by having staff independent of the fiscal unit review the disposition to determine if the food stamps were disposed of as instructed by the workers.

WE RECOMMEND Presque Isle County FIA have staff independent of the fiscal unit review the disposition of food stamps returned in the mail as undeliverable.

Medical Transportation

No findings in this area.

State Emergency Relief

No findings in this area.

Employment Support Services

Proof of Ownership for Vehicle Repairs

4. Presque Isle County FIA did not document that an eligible group member owned the vehicle being repaired prior to authorizing the vehicle repair through the Employment Support Services (ESS) Program. Three vehicle repair payments totaling \$1295.16 were examined. A review of the case records disclosed that the vehicle repaired had been reported by the customer on an Assistance Application (FIA1171), however this does not mean that an eligible group member owned the vehicle at the time the repair was authorized.

Program Eligibility Manual (PEM) Item 232, page 10 states that prior to authorizing a major repair assurance that an eligible group member owns the vehicle is required. This

can be accomplished by obtaining a copy of the vehicle title or registration when the repair is approved.

WE RECOMMEND Presque Isle County FIA document that an eligible group member owns the vehicle being repaired in the case record.

Client Processing

No findings in this area.

CIS/ASSIST

Client Information System (CIS) Enrollment Profile/Security Agreements(FIA3974A)

5. Presque Isle County FIA did not have current and accurate CIS Enrollment Profile/Security Agreements (FIA3974A) on file for employees who access the Client Information System. A CIS Enrollment Profile Agreement (FIA3974A) did not have the CIS status listed for two staff. The status code on the FIA3974A for two staff did not agree with the status code listed on the Operator Identification Report (PF011).

CIS Security Policy L-Letter L-97-063 requires a CIS Enrollment Profile/Security Agreement (FIA3974A) to be prepared for all new users of CIS and for all current operators each time an enrollment change is proposed.

WE RECOMMEND Presque Isle County FIA obtain a CIS Enrollment Profile/Security Agreement (FIA3974A) for the staff that did not have their status listed on the FIA3974A.

WE also RECOMMEND Presque Isle County FIA determine the correct status for the staff that had a status on the CIS Enrollment Profile/Security Agreement (FIA3974A)

different than that reported on the PF011 and obtain new FIA3974As or change their status on CIS.

Reconciliation of the ASSIST Security Officer's Log Report (VB9173)

6. Presque Isle County FIA did not reconcile the ASSIST Security Officer's Log Report (VB9173) with the ASSIST Enrollment Profile (FIA3720). Internal Control criteria for Local Offices requires a complete reconciliation of all the daily Security Officer's Log Reports (VB9173) with the ASSIST Enrollment Profile (FIA3720) signed by management or supervision. This reconciliation is performed by staff with ASSIST inquiry capability only or staff that has ASSIST update capability but is not the ASSIST Security Coordinator.

WE RECOMMEND Presque Isle County FIA reconcile the ASSIST Security Officer's Log Reports (VB9173) with the ASSIST Enrollment Profile (FIA3720).

IRS Information Security

No findings in this area.

Payroll and Timekeeping

Payroll Certification

7. Presque Isle County FIA had not established adequate control over the payroll process. The timekeeper at Presque Isle County FIA certified the payroll on the Data Collection and Distribution System (DCDS) before the payroll was reviewed and approved by staff responsible for certifying the payroll.

Internal Control Criteria established by the Family Independence Agency requires that the payroll be certified on DCDS after the authorized certifier reviews and approves the HR-332A.

WE RECOMMEND Presque Isle County FIA certify the payroll on the Data Collection Distribution System (DCDS) after the authorized certifier has reviewed and approved the payroll.

Procurement Card

No findings in this area.

Contracting

No findings in this area.